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SUBJECT: ECONOMIC HIGHLIGHTS - NOVEMBER/DECEMBER

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Denmark shows GDP Growth in third quarter

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¶1. Statistics Denmark released the 2009 Q3 GDP figures on December  
¶22. In a highly unexpected result, the figures showed GDP growth of  
0.6% in the third quarter, the first growth since the first quarter  
of 2008. Denmark's GDP as of the end of August was at approximately  
the same level as 2004 Q4. Comparing year-on-year figures, 2009 Q3  
GDP was 5.2% less than in 2008 Q3. The Danish GDP growth of 0.6% is  
higher than the EU average third quarter growth of 0.4% growth.  
Most local commentators were expecting a contraction of 0.2% or zero  
growth. Both private and public consumption were up, as were  
imports and exports, but investment fell. Statistics Denmark is  
currently delaying reporting GDP figures by one month due to the  
postponement of VAT and payroll tax payments.

2010 Public Budget Agreement

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¶2. The Government and the Danish People's Party (which supports the  
governing Liberal/Conservative coalition, but is not a member of the  
coalition) finalized negotiations for the 2010 public budget on  
November 12. Next year's budget will include a DKK 5 billion (USD 1  
billion) stimulus package for infrastructure, hospital, and school  
construction, as well as public building renovations to increase  
energy efficiency. The stimulus spending is targeted for 2010 until  
¶2013. The Government is also making DKK 3 billion (USD 600 million)  
available to Danish municipalities to borrow for planned  
investments. The postponement of payroll tax payments by one month  
will be extended until the end of 2010, in effect extending DKK 20  
billion (USD 4 billion) worth of credit to businesses. The agreed  
budget also included additional funds for elder care, funds for the  
police and intelligence services in support of COP15, along with new  
initiatives aimed at combating youth- and gang-related crime. The  
Government is projecting a budget deficit of DKK 77.25 billion (USD  
15.32 billion) in 2010, about 5% of GDP.

Maersk Group Wants Strong Legislation on CO2 Emissions

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¶3. Maersk Group CEO Nils Smedegaard Andersen announced that Maersk  
Group is supporting tough regulation of emissions from freight  
shipping and called for a high and stable price on carbon emitted by  
ship traffic. The Group would specifically like to see a duty on  
the usage of bunker fuel. Maersk Group sees an increased focus on  
the environment as a massive boost to the company's competitiveness,

provided there is global application of environmental regulations. The company has already developed several energy-efficiency-improving technologies at its Lindo shipyard. These technologies have so far not been profitable to deploy, but could become so if the price imposed on carbon emissions from shipping were high enough. Maersk Group and the Danish Shipowners' Association have been pressing for a global agreement on carbon emissions through the International Maritime Organization for some time, and are hopeful that UN climate negotiations will eventually lead to a political agreement on this front. The sentiment that CO2 emissions should have a price is spreading through Danish businesses with similar statements from the CEOs of DONG Energy (the largest utility company), Vestas Wind Systems, Novo Nordisk and others.

#### Danish Pork Exports to China will be tested for H1N1

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¶4. The Chinese government announced a demand for tests of all imported pork for the H1N1 virus, which came into effect in mid-November. The Chinese have announced they will test all products themselves if the demand is not followed; any positive result for the virus will lead to an import ban for all pork originating in the same country as the infected pork. Denmark exported DKK 500 million (USD 100 million) worth of pork to China last year and the market is growing. The EU has so far not wanted to comply with the demand as it goes against WHO recommendations. According to the Danish National Board of Health, the virus cannot be contracted through the consumption of pork, and the virus dies within three days on metallic surfaces and therefore would not survive transport to China. Denmark has agreed to test all pork exports to China for the H1N1 virus and disinfect the freight containers before transport. The EU expects China to use the H1N1 test requirement as a technical barrier to trade, as the Chinese Ministry of Agriculture released a regulation in January 2009 describing how the reduction of pork imports could be used to stabilize the price of pork on the Chinese market. The test

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requirements are expected to affect exports from the U.S., France, Italy, Spain and Canada.

#### Danish Agriculture Debt Worries

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¶5. Denmark's 13,000 professional farmers have a collective debt of about DKK 350 billion (USD 70 billion), or DKK 27 million (USD 5.4 million), per farmer as of the end of 2009. The combination of low prices and high debt has the chief economist of the Danish Agriculture and Food Council speculating that 25% of the farmers will go bankrupt within five years. A soon-to-be-released report from the Council finds that the average net loss in 2009 will be DKK 328,000 (USD 65,600) for grain farmers, DKK 312,000 (USD 62,400) for cattle farmers and DKK 744,000 (USD 148,800) for pork producers. A new report from the EU Commission finds that of all EU states' agriculture, Denmark's is the most dependent on direct EU subsidies, which account for 62% of the sector's Gross Factor Income (GFI). The report's authors pointed to the 7.7% drop in 2008 revenue and the high indebtedness of Danish farmers as an explanation for the high share of subsidies.

#### Denmark by the Numbers

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¶6. Private sector wages have increased by 2.4% through October 2009 (down from a year-on-year increase of 4.3% in early 2009). The Economic Council estimates that the average wage increase in Denmark's most important export markets will be 1.8% in 2009 and 1.5% in 2010, thereby hurting Danish competitiveness and accentuating the harmful effects of the strong Kroner. Extrapolating from the most recent OECD statistics, we estimate total seasonally adjusted Danish unemployment by end of November at 7.2%. The composite indicator for consumer confidence fell to -3.6 in December from -2.4 in November, putting confidence at the lowest level since June. An improvement to -1.4 had been expected. Consumers assess their own and Denmark's economic situation as worse today than one year ago. Their projection of the economic situation in Denmark one year from now has become gloomier for three months in a row.

